



Jami Snyder  
Director  
801 East Jefferson, MD 4100  
Phoenix, Arizona 85034

Douglas A. Ducey, Governor

Michael Traylor  
Director  
1789 West Jefferson Street  
Phoenix, Arizona 85007

January 16, 2019

Patrick White  
Chief Executive Officer  
Hacienda HealthCare  
1402 E. South Mountain Avenue  
Phoenix, AZ 85042

Mr. White:

Over the past two and a half weeks, the Arizona Health Care Cost Containment System (AHCCCS), Arizona Department of Health Services (ADHS), and Arizona Department of Economic Security (ADES) have conducted numerous onsite visits at Hacienda HealthCare (Hacienda) following notification that an extremely vulnerable patient was sexually assaulted and carried a baby to term without anyone at the facility noticing her abuse or condition. During the course of those visits, there have been several significant concerns raised, and corrective action letters have been issued. Nonetheless, in order to guarantee ongoing improvement, additional oversight is immediately warranted and necessary to protect the medically fragile patients at Hacienda and to assure their loved ones that they are safe and protected.

As such, AHCCCS and ADES, pursuant to their legal authority, are directing you to immediately take steps to retain a qualified third party manager, at your own cost, to monitor and oversee the operations and appropriate delivery of health care services at the Intermediate Care Facility (ICF) and the Skilled Nursing Facility (SNF) operated by Hacienda located at 1402 E. South Mountain Avenue, Phoenix, AZ 85042.

On or before Wednesday, January 23, 2019, Hacienda shall identify and retain - after obtaining the approval of AHCCCS and DES - a qualified third party manager who will assume responsibility for overseeing day-to-day operations of the facility. Hacienda shall ensure that the third party manager is in place and overseeing operations on or before Wednesday, January 30, 2019. The contract with the third party must have the qualifications, authority, and compensation as set forth in 42 C.F.R. 488.415, a copy of which is attached. Selection of the third party is subject to approval by the State.

The contract with the third party must require that the manager assess each resident and establish individualized continuity of care plans, no later than 90 days from the date of this letter. Each continuity of care plan must ensure the safety of the resident and identify a plan in the event the resident needs to or desires to transfer to a different health care setting.

Patrick White  
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The contract with the third party must reflect that Hacienda has waived all privileges (other than attorney-client) with respect to the third party and that the State (AHCCCS, DES, or both) have unrestricted access to third party staff at the facility and any documentation regarding the work of the third party or the operations of the facilities.

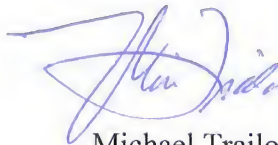
Hacienda should communicate in writing its intent to comply with this letter on or before 5:00 p.m., Thursday, January 17, 2019, or the State will pursue any and all of remedies legally available to it.

Questions regarding this directive and issues related to it are to be directed to: Virginia Rountree, Assistant Director for AHCCCS at 602-417-4122, [Virginia.rountree@azahcccs.gov](mailto:Virginia.rountree@azahcccs.gov) or James Charlie Green, Assistant Director for DES at 602-542-1243, [JGreen@azdes.gov](mailto:JGreen@azdes.gov).

Sincerely,



Jami Snyder  
Director  
Arizona Health Care Cost Containment System



Michael Trailor  
Director  
Arizona Department of Economic Security

Attachment

Jami Snyder  
Director  
801 East Jefferson, MD 4100  
Phoenix, Arizona 85034

Douglas A. Ducey, Governor

Michael Traylor  
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1789 West Jefferson Street  
Phoenix, Arizona 85007

§ 488.415 Temporary management.

(a) Definition. Temporary management means the temporary appointment by CMS or the State of a substitute facility manager or administrator with authority to hire, terminate or reassign staff, obligate facility funds, alter facility procedures, and manage the facility to correct deficiencies identified in the facility's operation.

(b) Qualifications. The temporary manager must --

(1) Be qualified to oversee correction of deficiencies on the basis of experience and education, as determined by the State;

(2) Not have been found guilty of misconduct by any licensing board or professional society in any State;

(3) Have, or a member of his or her immediate family have, no financial ownership interest in the facility; and

(4) Not currently serve or, within the past 2 years, have served as a member of the staff of the facility.

(c) Payment of salary. The temporary manager's salary --

(1) Is paid directly by the facility while the temporary manager is assigned to that facility; and

(2) Must be at least equivalent to the sum of the following --

(i) The prevailing salary paid by providers for positions of this type in what the State considers to be the facility's geographic area;

(ii) Additional costs that would have reasonably been incurred by the provider if such person had been in an employment relationship; and

(iii) Any other costs incurred by such a person in furnishing services under such an arrangement or as otherwise set by the State.

(3) May exceed the amount specified in paragraph (c)(2) of this section if the State is otherwise unable to attract a qualified temporary manager.

(d) Failure to relinquish authority to temporary management --

(1) Termination of provider agreement. If a facility fails to relinquish authority to the temporary manager as described in this section, CMS will or the State must terminate the provider agreement in accordance with § 488.456.

(2) Failure to pay salary of temporary manager. A facility's failure to pay the salary of the temporary manager is considered a failure to relinquish authority to temporary management.

(e) Duration of temporary management. Temporary management ends when the facility meets any of the conditions specified in § 488.454(c).